

# **DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL**

Revision Date 04/03/00

Date Issued 04/76

Revisions #

Filing Number 4,271

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## **SUBJECT**

Fund Accounting

## **PURPOSE**

Financial transactions for all state agencies should be recorded in self-balancing groups of accounts established as “funds” by law or administrative action.

## **AUTHORITATIVE REFERENCE**

None

## **GENERAL INFORMATION**

The fund is the basic fiscal and accounting entity of the State of Kansas. The term “fund” has a dual meaning in governmental accounting, referring both to resources in general, and to the fiscal and accounting entity “recording cash and other financial resources, all related liabilities and residual equities, or balances and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.”<sup>1</sup> It is within this latter context that fund accounting will be discussed in this document.

The self-balancing feature of each fund should be accomplished through the double-entry method of accounting. This technique embodies the inherent control features of the accounting equation. For each fiscal and accounting entity there should exist a real or implicit ledger of accounts. The classification and recording of each transaction, i.e., each entry of ledger should satisfy the accounting equation. It follows that the sum of all debit entries in the ledger must equal the sum of all credit entries, and the fund or group of accounts is thereby self-balanced. The treatment of specific transactions as applied to the central accounting system will be discussed in appropriate sections of the Department of Administration Policy and Procedures Manual. Organizational units’ participation and accountability within a fund will be discussed in the procedure dealing with Appropriation and Budgetary Accounting.

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<sup>1</sup> National Committee on Governmental Accounting, *Governmental Accounting, Auditing and Financial Reporting*, 1994.

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The number and types of funds used by the State of Kansas are controlled by legislative and administrative action. As a matter of principle, the number of funds should be sufficient to satisfy legal requirements, but should not be so large as to restrict unduly the flexibility of state government officials in managing the resources available for carrying out programs.

## **Fund Classification**

Funds are classified in several ways. For purposes of the central accounting system, the types or groups of funds within the State of Kansas will be:

### *General Fund*

The General Fund is maintained to account for all revenues and expenditures by the state not accounted for by other specific funds. All revenues coming into the state treasury not specifically authorized by the constitution or by statute to be placed in a separate fund, and not given or paid over to the State Treasurer in trust for a particular purpose shall be accounted for in the General Fund of the state. All legislative appropriations which do not designate a specific fund from which they are to be paid shall be accounted for in the General Fund of the state.

### *Special Revenue Funds*

This designation includes a number of funds accounting for separate activities of the state government created by law for specific purposes, usually on a self-supporting basis. Earmarked monies are received from taxes, agency earnings, revenues from the use of money and property, federal grants, and other miscellaneous sources. Expenditures accounted for by the funds are controlled by appropriations, special grants of authority contained in standing laws, or federal laws where federal grants are involved.

### # *Highway Funds*

This designation applies to the State Highway Fund and special funds such as the Restricted Fees Fund. This designation also applies to the City and County Highway Fund and the County Equalization and Adjustment Fund from which the distribution of shared motor fuel tax revenues to local units of government are made. Revenues accounted for by these funds are restricted by law to financing the activities of the State Department of Transportation in constructing, reconstructing and maintaining a state system of highways.

### # *Intra-Governmental Service Funds*

The funds included in this class are used to finance and account for services and commodities by a designated State agency to departments of the same State agency or to

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other State agencies. These funds are operated on a self-sustaining basis in that they are reimbursed, usually at cost, for the goods or services they produce. They were established by contributions or advances from the State General Fund or by other funds.

## *Enterprise Funds*

Enterprise Funds are used to account for the activities of state agencies in rendering services, usually of a commercial nature, to the general public for compensation.

## *Trust and Agency Funds*

Trust and Agency Funds account for monies received, held and/or disbursed by the state in a fiduciary capacity as trustee, agent or custodian. Monies collected by the state as agent and disbursed to other governmental entities and individuals in accordance with laws and regulations are accounted for in agency funds.

## # *Clearing, Refunds and Suspense Funds*

Included are funds used to clear transactions related to payroll deductions and contributions and certain other transactions of a non-operating nature. This class also include specific funds established for refunding over-collections of taxes, fees and other moneys. Suspense funds are included in this class for the temporary deposit of moneys until proper disposition can be determined.

## # *Capital Projects Funds*

This class includes funds where the resources come from the sale of bonds and ad valorem tax levies dedicated to the Kansas Educational Building Fund, the State Institutions Building Fund and the Correctional Institutions Building Fund. These funds are used in the construction and equipping of educational classrooms, treatment and correctional institutional facilities. Included in this class are funds established in conjunction with the issuance of bonds such as debt service and facilities and maintenance reserve funds. Also included in this class are funds established in conjunction with issuance of Certificates of Participation and blanket financing.

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## # *Employment Security Funds*

The Employment Security Funds consist of the following:

- a. A Benefit Account
- b. A Clearing Account
- c. An Unemployment Trust Fund
- d. A Special Suspense Account

Accounted for by these funds are monies such as contributions, fines, and penalties levied on employers for unemployment benefits deposited in the clearing account, then transferred to the unemployment trust account. The Kansas trust fund monies are held at the federal level. Recovery of overpayments of unemployment insurance benefits are deposited into the special suspense account. The benefit account (funds are drawn from the trust account) pays actual unemployment benefits.

Funds may also be classified by the source of authority for expenditure of their resources. Appropriated funds are those for which the expenditure of resources requires prior statutory authority in the form of an appropriation. Non-appropriated funds are subject to expenditures limitations which are imposed through acts of the Legislature.

Transfers of resources between various funds of the state are to be directed by the Director of Accounts and Reports pursuant to requests specifically authorized by statute or in accordance with general legislation conferring such authority upon an elected official.

Such transfers must be recorded in the accounts of the respective funds affected. The four basic types of interfund transactions are:

Transfers which are revenues to the recipient fund and expenditures to the disbursing fund. An example of this type of transfer would be transactions between an intra-governmental service fund and general purpose fund for services rendered or facilities provided.

Transfers which constitute reimbursement of expenditures made by one fund for another and which are recorded as credits, i.e., reductions, to the total expenditures of the recipient fund. Payroll clearing fund transfers provide an example of this type of transfer.

Recurring transfers between two or more funds from the fund legally required to receive the revenue to the fund designated for expenditure. These transactions

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should be segregated from other revenue and expenditures in the accounts of the funds affected. Statutory demand transfers<sup>2</sup> provide an example of this type.

Non-recurring transfers between funds, not related to normal operations, representing transfers of equity in the funds involved. The change in resources of the affected funds should be reflected in the respective fund balance accounts. Administrative or statutory transfers to recognize errors or adjustments in fund balances provide an example of this type of transfer.

## **PROCEDURES**

None

## **CONTACT SOURCES**

The DAFR 8750, D20 Fund Group Descriptor Table, and the D21 GAAP-Fund Descriptor Table may be requested from the Central Accounting Services Section.

For additional information concerning fund classification, please contact:

Division of Accounts and Reports  
Central Accounting Services Section

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<sup>2</sup>Transfers of a recurring nature authorized by acts of the Legislature.